

TRILLIUM ACADEMY
REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional information)
YEAR ENDED JUNE 30, 2007

C O N T E N T S

| | <u>Page</u> |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| Independent auditors' report | iii - iv |
| Management's Discussion and Analysis | v - xi |
| Basic financial statements | |
| Government-wide financial statements | |
| Statement of net assets | 1 |
| Statement of activities | 2 |
| Fund financial statements | |
| Balance sheet - governmental funds | 3 |
| Statement of revenues, expenditures and changes in fund balances - governmental funds..... | 4 |
| Reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities..... | 5 |
| Notes to financial statements | 6 - 19 |
| Required supplementary information | 20 |
| Budgetary comparison schedule - general fund | 21 |
| Additional information | 22 |
| Nonmajor governmental fund types - special revenue funds | |
| Combining balance sheet | 23 |
| Combining statement of revenues, expenditures and changes in fund balances..... | 24 |
| Long-term debt | |
| Full term certificates of participation- series 2005..... | 25 |
| Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i> | 26 - 27 |



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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Trillium Academy
Taylor, Michigan

October 22, 2007

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Trillium Academy (the Academy), as of and for the year ended June 30, 2007, which collectively comprise the Academy's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Trillium Academy's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Trillium Academy as of June 30, 2007 and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Education
Trillium Academy

October 22, 2007

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2007, on our consideration of Trillium Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages v through xi and 21, are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Trillium Academy's basic financial statements. The additional information on pages 23 through 25 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Maner, Costerisan + Ellis, P.C.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Trillium Academy's (Academy) annual financial report presents our discussion and analysis of the public school Academy's financial performance during the fiscal year that ended on June 30, 2007. Please read it in conjunction with the Academy's financial statements, which immediately follow this section.

Financial Highlights

- The Academy's net assets decreased by \$345,561 during the year.
- As compared to the prior year, revenues increased by 42% percent while expenses increased by 30% percent. Blended enrollment used for state aid purposes was 469 in 2007 compared to 345 in 2006.
- The Academy retired \$89,439 in debt during the year.
- The Academy invested \$96,049 in capital assets during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Academy:

- The first two statements are academy-wide *financial statements* that provide both short-term and long-term information about the Academy's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the Academy, reporting the Academy's operations in more detail than the academy-wide statements.
- The *governmental funds* statements tell how basic services like regular and special education were financed in the short-term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required

supplementary information that further explains and supports the financial statements with a comparison of the Academy's budget for the year. Figure A-1 shows how the various parts of the annual report are arranged and related to one another.

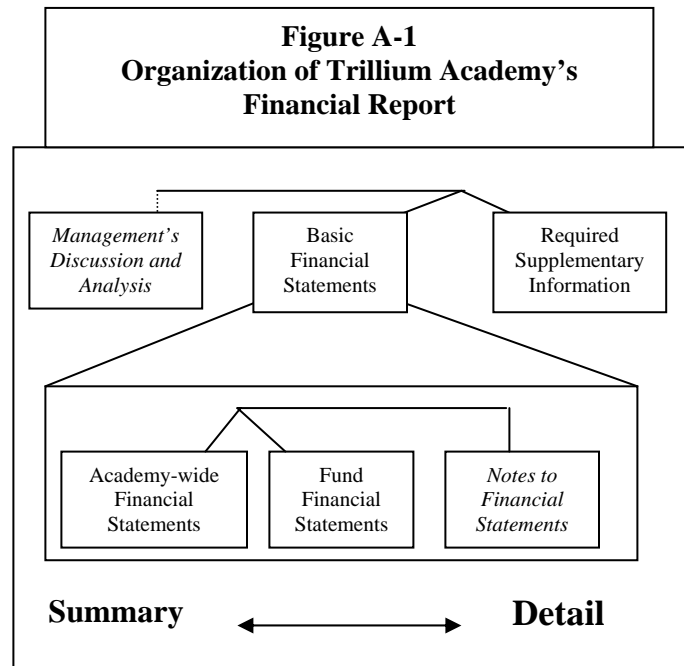


Figure A-2 summarizes the major features of the Academy’s financial statements, including the portion of the Academy’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2 Major Features of the Academy-wide and Fund Financial Statements

| | Academy-wide statements | Governmental funds |
|----------------------------------------|------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Scope | Entire academy (except fiduciary funds) | All activities of the academy that are not fiduciary |
| Required financial statements | * Statement of net assets * Statement of activities | * Balance sheet * Statement of revenues, expenditures and changes in fund balances |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus |
| Type of asset/liability information | All assets and liabilities, both financial and capital, short-term and long-term | Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included |
| Type of inflow/outflow information | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable |

Academy-wide statements

The Academy-wide statements report information about the Academy as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Academy’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two Academy-wide statements report the Academy’s net assets and how they have changed. Net assets - the difference between the Academy’s assets and liabilities, are one way to measure the Academy’s financial health or position.

- Over time, increases or decreases in the Academy’s net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the Academy, you need to consider additional non-financial factors such as changes in the Academy’s enrollment, the condition of school buildings and other facilities, and the Academy’s ability to be competitive with other public school academies and area school districts.

Governmental activities - The Academy’s basic services are included here, such as regular and special education and administration. State foundation aid finances most of these activities.

Fund financial statements

The fund financial statements provide more detailed information about the Academy's funds, focusing on its more significant or "major" funds - not the Academy as a whole. Funds are accounting devices the Academy uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law.
- The Academy establishes other funds to control and manage money for particular purposes and to show that it is properly using certain revenues (like school lunch).
- All of the Academy's basic services are included in governmental funds which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy's programs. Because this information does not encompass the additional long-term focus of the Academy-wide statements, we provide additional information with the governmental funds statement that explains the relationship (or differences) between them.

Financial analysis of the Academy as a whole

Net assets (deficit) - the Academy's combined net assets (deficit) increased by \$345,561 in 2007 increasing the deficit to \$849,355. See Figure A - 3.

The total revenues increased by 38% to \$3,911,159. State aid foundation allowance included in revenue from state sources accounts for 87% of the Academy's revenue.

The total cost of instruction increased by 17% to \$2,038,617. Total support service expenses increased 48% to \$1,380,454.

Academy governmental activities

Figure A-3
Trillium Academy's Net Assets

| | 2007 | 2006 |
|---------------------------------------------------|--------------|--------------|
| Current assets | \$ 846,696 | \$ 560,495 |
| Capital assets, net | 5,668,965 | 5,799,174 |
| Other noncurrent assets | 1,269,791 | 1,315,342 |
| Total assets | 7,785,452 | 7,675,011 |
| Current liabilities | 1,264,125 | 795,014 |
| Long-term liabilities | 7,370,682 | 7,383,791 |
| Total liabilities | 8,634,807 | 8,178,805 |
| Net assets (deficit): | | |
| Investment in capital assets, net of related debt | (1,259,491) | (1,134,088) |
| Restricted for debt service | 717,360 | 733,538 |
| Unrestricted | (307,224) | (103,244) |
| Total net assets (deficit) | \$ (849,355) | \$ (503,794) |

Figure A-4
Change in Trillium Academy's Net Assets

| | 2007 | 2006 |
|--------------------------------------------------|--------------|--------------|
| Revenues: | | |
| Program revenues: | | |
| Federal and state categorical grants | \$ 345,589 | \$ 288,061 |
| Charges for service - food service and athletics | 34,225 | 29,612 |
| General revenues: | | |
| State aid - unrestricted | 3,403,149 | 2,416,544 |
| Investment income | 32,252 | 23,166 |
| Other | 95,944 | 83,246 |
| Total general revenues | 3,531,345 | 2,522,956 |
| Total revenues | 3,911,159 | 2,840,629 |
| Expenses: | | |
| Instruction | 2,038,617 | 1,741,290 |
| Support services | 1,380,454 | 935,886 |
| Food services | 96,976 | 60,908 |
| Athletics | 43,510 | 20,697 |
| Interest and fees | 470,905 | 346,500 |
| Unallocated depreciation | 226,258 | 161,066 |
| Total expenses | 4,256,720 | 3,266,347 |
| Change in net assets | \$ (345,561) | \$ (425,718) |

Financial analysis of the Academy's funds

The Academy increased its fund balance in the general fund by \$33,050 to \$43,043. General fund revenues increased 38% in 2007. State sources increased primarily due to a 36% increase in blended enrollment over 2006.

The school lunch fund had an excess of expenditures over revenue of \$(13,856) in 2007. The general fund transferred \$47,430 to the athletics fund and \$13,856 to the school lunch fund.

General fund budgetary highlights

Over the course of the year, the Academy revised the general fund annual operating budget two times. Significant changes were made to various revenues and expenditures to adjust for increased pupil counts, grants awarded and the related expenditures. Other financing sources (uses) and capital outlay were amended for the capital lease to purchase the furnishings and equipment.

The Academy's final budget for the general fund anticipated revenues would exceed expenditures and other financing sources or uses by \$4,395. The actual results for the year showed revenues over expenditures of \$33,050.

The actual expenditures were under budget by \$25,940. This is approximately .7% of total expenditures.

Capital asset and debt administration

Capital assets

As of the year ended June 30, 2007, the Academy had invested \$5,668,965 in capital assets net of accumulated depreciation as summarized in Figure A-5. This amount represents a net decrease of \$130,209 from the beginning of the year. Total depreciation expense for the year was \$226,258. More detailed information about capital assets can be found in Note 5 to the financial statements.

The Academy's capital assets are as follows:

| Figure A-5 | | | | |
|------------------------------------------|---------------------|---------------------------------|-----------------------|-----------------------|
| Trillium Academy's Capital Assets | | | | |
| | 2007 | | | 2006 |
| | Cost | Accumulated depreciation | Net book value | Net book value |
| Building and improvements | \$ 4,913,734 | \$ 248,609 | \$ 4,665,125 | \$ 4,814,290 |
| Land | 565,000 | | 565,000 | 565,000 |
| Computer equipment | 207,306 | 108,011 | 99,295 | 119,953 |
| Furniture and equipment | 357,237 | 69,404 | 287,833 | 240,108 |
| Office equipment | 77,257 | 25,545 | 51,712 | 59,823 |
| Total | <u>\$ 6,120,534</u> | <u>\$ 451,569</u> | <u>\$ 5,668,965</u> | <u>\$ 5,799,174</u> |

Long-term debt

The Academy repaid \$89,439 of long-term debt during 2007. The Academy also borrowed \$92,016 during 2007 primarily to finance the purchase of computers, furniture and equipment.

Factors bearing on the Academy's future

At the time these financial statements were prepared and audited, the Academy was aware of existing circumstances that could significantly affect its financial health in the future.

The Academy recently completed its Phase II addition to the current site. A forecast was completed as part of this process and conservative enrollment and spending were reflected in this forecast. The actual enrollment for the 2007-08 school year will surpass the conservative forecasted estimates. This increase in enrollment will result in higher levels of income from the state Foundation Grant and it is also anticipated that spending will increase in the areas of teacher salaries, furniture, supplies, equipment and textbooks.

The increased enrollment will more than likely bring a higher than anticipated number of "at-risk" and Special Education students. The school has been required to add additional staffing to cover all mandated services required.

Consistent increases in enrollment numbers are evidence of the success of this program. There is an expressed need to have Trillium become a K-12 school immediately, but the plan to add a grade each year until it is K-12 will remain the plan. By the school year 2008-2009 it is expected to be K-12.

Contacting the Academy's financial management

This financial report is designed to provide our students, parents and creditors with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the money it receives. If you have questions about this report or need additional information, contact the Academy's office at 15740 Racho Road, Taylor, Michigan, 48180. Phone (734) 374-8222.

TRILLIUM ACADEMY
STATEMENT OF NET ASSETS
JUNE 30, 2007

| | Governmental activities |
|-------------------------------------------------|------------------------------------|
| ASSETS | |
| CURRENT ASSETS: | |
| Cash and cash equivalents | \$ 143,070 |
| Receivables: | |
| Due from other governmental units | 665,841 |
| Other | 13,567 |
| Prepaid expenditures | 24,218 |
| TOTAL CURRENT ASSETS | 846,696 |
| NONCURRENT ASSETS: | |
| Investments - restricted for debt service | 739,560 |
| Investments - restricted for capital projects | 45,681 |
| Debt issuance costs, net of amortization | 484,550 |
| Capital assets | 6,120,534 |
| Less accumulated depreciation | (451,569) |
| TOTAL NONCURRENT ASSETS | 6,938,756 |
| TOTAL ASSETS | \$ 7,785,452 |
| LIABILITIES AND NET ASSETS (DEFICIT) | |
| CURRENT LIABILITIES: | |
| Accounts payable | \$ 573,439 |
| Accrued salaries and related items | 216,124 |
| Accrued oversight and management fees | 80,644 |
| Accrued interest | 151,200 |
| State aid anticipation note payable | 154,713 |
| Current portion of capital leases | 88,005 |
| TOTAL CURRENT LIABILITIES | 1,264,125 |
| NONCURRENT LIABILITIES: | |
| Noncurrent portion of long-term obligation | 7,200,000 |
| Noncurrent portion of capital leases | 170,682 |
| TOTAL NONCURRENT LIABILITIES | 7,370,682 |
| TOTAL LIABILITIES | 8,634,807 |
| NET ASSETS (DEFICIT): | |
| Invested in capital assets, net of related debt | (1,259,491) |
| Restricted for debt service | 717,360 |
| Unrestricted | (307,224) |
| TOTAL NET DEFICIT | (849,355) |
| TOTAL LIABILITIES AND NET DEFICIT | \$ 7,785,452 |

**TRILLIUM ACADEMY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007**

| Functions/programs | Expenses | Program revenues | | Governmental activities |
|----------------------------------------|---------------------|----------------------|-------------------|-------------------------------------------------|
| | | Charges for services | Operating grants | Net (expense) revenue and changes in net assets |
| Governmental activities: | | | | |
| Instruction | \$ 2,038,617 | \$ | \$ 295,924 | \$ (1,742,693) |
| Support services | 1,380,454 | | | (1,380,454) |
| Food services | 96,976 | 33,455 | 49,665 | (13,856) |
| Athletics | 43,510 | 770 | | (42,740) |
| Interest and fees | 470,905 | | | (470,905) |
| Unallocated depreciation | 226,258 | | | (226,258) |
| Total governmental activities | <u>\$ 4,256,720</u> | <u>\$ 34,225</u> | <u>\$ 345,589</u> | <u>(3,876,906)</u> |
| General revenues: | | | | |
| Investment earnings | | | | 32,252 |
| State sources | | | | 3,403,149 |
| Other | | | | <u>95,944</u> |
| Total general revenues | | | | <u>3,531,345</u> |
| CHANGE IN NET ASSETS | | | | <u>(345,561)</u> |
| NET DEFICIT , beginning of year | | | | <u>(503,794)</u> |
| NET DEFICIT , end of year | | | | <u><u>\$ (849,355)</u></u> |

**TRILLIUM ACADEMY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007**

| | | | Other nonmajor governmental funds | Total governmental funds |
|-----------------------------------|---------------------|----------------------|--------------------------------------------|--------------------------------|
| | General fund | Debt service fund | | |
| ASSETS | | | | |
| ASSETS: | | | | |
| Cash | \$ 128,005 | \$ | \$ 15,065 | \$ 143,070 |
| Receivables: | | | | |
| Due from other governmental units | 658,280 | | 7,561 | 665,841 |
| Due from other funds | | | 4,374 | 4,374 |
| Other | 11,902 | | 1,665 | 13,567 |
| Prepaid expenditures | 24,218 | | | 24,218 |
| Investments - restricted | 221,267 | 563,974 | | 785,241 |
| TOTAL ASSETS | \$ 1,043,672 | \$ 563,974 | \$ 28,665 | \$ 1,636,311 |

LIABILITIES AND FUND BALANCES

| | | | | | | |
|---------------------------------------|----|-----------|----|--------|----|-----------|
| LIABILITIES: | | | | | | |
| Accounts payable | \$ | 544,774 | \$ | 28,665 | \$ | 573,439 |
| Accrued salaries and related items | | 216,124 | | | | 216,124 |
| Accrued oversight and management fees | | 80,644 | | | | 80,644 |
| Note payable | | 154,713 | | | | 154,713 |
| Due to other funds | | 4,374 | | | | 4,374 |
| TOTAL LIABILITIES | | 1,000,629 | | 28,665 | | 1,029,294 |

| | General fund | Debt service fund | Other nonmajor governmental funds | Total governmental funds |
|--------------------------------------------|--------------|-------------------|-----------------------------------|--------------------------|
| FUND BALANCES: | | | | |
| Reserved for debt service | \$ 304,586 | \$ 563,974 | \$ | \$ 868,560 |
| Reserved for capital projects | 45,681 | | | 45,681 |
| Unreserved, undesignated | (307,224) | | | (307,224) |
| TOTAL FUND BALANCES | 43,043 | 563,974 | | 607,017 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 1,043,672 | \$ 563,974 | \$ 28,665 | \$ 1,636,311 |

Total governmental fund balance

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds

The cost of the capital assets is _____
Accumulated depreciation is _____

Debt issuance costs
Accumulated amortization

Long-term liabilities are not due and payable in the current period and are not reported in the funds:

Certificates of participation
Capital lease obligations

Accrued interest is not included as a liability in government funds, it is recorded when paid.

Net deficit of governmental activities

TRILLIUM ACADEMY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

| | | | Other nonmajor governmental funds | Total governmental funds |
|-------------------------------------------------------------|--------------|----------------------|--------------------------------------------|--------------------------------|
| | General fund | Debt service fund | | |
| REVENUES: | | | | |
| Local sources | \$ 97,363 | \$ 30,833 | \$ 34,225 | \$ 162,421 |
| State sources | 3,560,182 | | 1,585 | 3,561,767 |
| Federal sources | 138,891 | | 48,080 | 186,971 |
| Total revenues | 3,796,436 | 30,833 | 83,890 | 3,911,159 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Basic programs | 1,714,689 | | | 1,714,689 |
| Added needs | 352,184 | | | 352,184 |
| Total instruction | 2,066,873 | | | 2,066,873 |
| Support services: | | | | |
| Pupil | 115,702 | | | 115,702 |
| Instructional staff | 4,348 | | | 4,348 |
| General administration | 578,742 | | | 578,742 |
| School administration | 293,138 | | | 293,138 |
| Business | 98,564 | | | 98,564 |
| Operation and maintenance | 337,888 | | | 337,888 |
| Other | 15,175 | | | 15,175 |
| Total support services | 1,443,557 | | | 1,443,557 |
| EXPENDITURES (Concluded): | | | | |
| Current (Concluded): | | | | |
| Food service | \$ | \$ | \$ 96,976 | \$ 96,976 |
| Athletics | | | 48,200 | 48,200 |
| Debt service: | | | | |
| Principal retirement | 89,439 | | | 89,439 |
| Interest expense | | 453,600 | | 453,600 |
| Total expenditures | 3,599,869 | 453,600 | 145,176 | 4,198,645 |
| EXCESS (DEFICIENCY)OF EXPENDITURES OVER (UNDER) REVENUES | 196,567 | (422,767) | (61,286) | (287,486) |
| OTHER FINANCING SOURCES (USES): | | | | |
| Proceeds from capital lease | 92,016 | | | 92,016 |
| Operating transfers in | | 194,247 | 61,286 | 255,533 |
| Operating transfers out | (255,533) | | | (255,533) |
| Total other financing sources (uses) | (163,517) | 194,247 | 61,286 | 92,016 |
| NET CHANGE IN FUND BALANCES | 33,050 | (228,520) | | (195,470) |
| FUND BALANCES: | | | | |
| Beginning of year | 9,993 | 792,494 | | 802,487 |
| End of year | \$ 43,043 | \$ 563,974 | \$ | \$ 607,017 |

**TRILLIUM ACADEMY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007**

| | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|
| Net change in fund balances total governmental funds | \$ (195,470) |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation. | |
| Depreciation expense | (226,258) |
| Capital outlay | 96,049 |
| Accrued interest on certificates of participation is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid: | |
| Accrued interest payable, beginning of the year | 151,200 |
| Accrued interest payable, end of the year | (151,200) |
| Proceeds and repayments of principal on long-term debt are other financing sources and expenditures in the governmental funds, but not in the statement of activities (where they are additions and reductions of liabilities) | |
| Proceeds from capital lease | (92,016) |
| Amortization of debt issuance costs | (17,305) |
| Principal repayment on capital leases | 89,439 |
| Change in net assets of governmental activities | <u><u>\$ (345,561)</u></u> |

TRILLIUM ACADEMY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Trillium Academy have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Academy's accounting policies are described below.

A. Reporting Entity

Trillium Academy (the "Academy") is a public school academy as part of the Michigan Public School System under Public Act No. 362 of 1993. Central Michigan University is the authorizing body for the Academy and has contracted with the Academy to charter the public school academy for a period of five years expiring June 30, 2012. The Academy's board of directors is approved by the authorizing body and is authorized to manage the Academy and the property and affairs of the Academy. The Academy receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the Academy is not included in any other governmental reporting entity as defined by accounting principles generally accepted in the United States of America. In addition, the Academy's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statements Nos. 14 and 39.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Academy. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the Academy's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column is presented on a consolidated basis, and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Academy's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

TRILLIUM ACADEMY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements (Continued)

The Academy first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the Academy's functions. The functions are also supported by general government revenues (state revenue, certain intergovernmental revenues, investment income and other revenue). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (state sources, intergovernmental sources, interest income and other revenues).

The Academy does not allocate indirect costs.

This government-wide focus is more on the sustainability of the Academy as an entity and the change in the Academy's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental Funds - Governmental funds are those funds through which most Academy functions typically are financed. The acquisition, use and balances of the Academy's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The Academy reports the following major governmental funds:

The *general fund* is the Academy's primary operating fund. It accounts for all financial resources of the Academy, except those required to be accounted for in another fund.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on certificates of participation.

Other Non-major Funds

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes. The Academy accounts for its food service and athletics activities in the special revenue funds.

TRILLIUM ACADEMY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation

Accrual Method

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

Modified Accrual Method

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences, claims and judgments, are recorded only when payment is due.

State and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Academy.

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to the Academy based on information supplied by the Academy. For the year ended June 30, 2007, the foundation allowance was based on pupil membership counts taken in February and September of 2006.

TRILLIUM ACADEMY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Concluded)

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The state revenue is recognized during the foundation period and is funded through payments from October 2006 to August 2007. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The Academy also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Categorical funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue.

D. Other Accounting Policies

1. Cash and equivalents include amounts in demand deposits accounts.

The Academy reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40, *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Academy intend to hold the investment until maturity.

State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Academy is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

**TRILLIUM ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

2. Prepaid expenditures

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

3. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds”, (i.e., the current portion of interfund loans) or “advances to/from other funds”, (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds”.

All receivables are shown net of an allowance for uncollectible amounts, if any.

4. Capital assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

| | |
|-------------------------------|-------------|
| Building and improvements | 20-50 years |
| Computers and peripherals | 5 years |
| Furniture and other equipment | 7-20 years |

The Academy’s capitalization policy is to capitalize individual amounts exceeding \$1,000.

TRILLIUM ACADEMY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

D. Other Accounting Policies (Concluded)

5. Long-term obligations

In the government-wide financial statements, long-term debt obligations are reported as liabilities on the statement of net assets. Debt premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method over the term of the related debt.

In the fund financial statements, governmental fund types recognize debt premiums and discounts, as well as debt issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

6. Use of estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

7. Fund balance

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The amount reserved for debt service in the general fund represents state aid payments received or accrued that is restricted for certificate of participation debt service. Transfers from the general fund to the debt service fund are recorded in the period in which the related principal and interest payments are made by the debt service fund.

TRILLIUM ACADEMY
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds. Approved appropriations lapse at year end. Encumbrance accounting is employed in governmental funds. Significant encumbrances outstanding at year end, if any, are reported as reservations of fund balance because they will be re-appropriated in the subsequent fiscal year.

The Academy follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Chief Administrative Officer submits to the Board of Education a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Prior to July 1, the budget is legally adopted by Board of Education resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
2. The Chief Administrative Officer is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Board of Education.
3. Formal budgetary integration is employed as a management control device during the year for the general and special revenue funds.
4. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2007. The Academy does not consider these amendments to be significant.

TRILLIUM ACADEMY
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - DEPOSITS AND RESTRICTED INVESTMENTS

As of June 30, 2007, the Academy had the following investments:

| Investment Type | Fair value | Weighted average maturity (years) | Standard & Poor's Rating | % |
|------------------------------------------------------|-------------------|------------------------------------------------------|---------------------------------------------|----------------|
| First America Treasury Obligations Fund - Class D | <u>\$ 785,241</u> | 0.0027 | AAAm | <u>100.00%</u> |
| Portfolio weighted average maturity | | <u>0.0027</u> | | |

One day maturity equals 0.0027, one year equals 1.00

The Academy invests certain excess funds in external pooled investment funds which included treasury obligations. The treasury obligation reports as of June 30, 2007, the fair value of the Academy's investments is the same as the value of the pooled shares.

These investments are restricted under the terms of the certificates of participation debt agreements primarily for debt service and maintenance and repair of the related facilities.

Interest rate risk. The Academy will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Academy's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2007, the Academy did not have investments in commercial paper and corporate bonds.

Concentration of credit risk. The Academy will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Academy's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. As of June 30, 2007, \$70,432 of the Academy's bank balance of \$170,432 was exposed to custodial credit risk because it was uninsured and uncollateralized. The above amounts include interest bearing deposits.

TRILLIUM ACADEMY
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - DEPOSITS AND RESTRICTED INVESTMENTS (Concluded)

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Academy will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Academy will do business.

Foreign currency risk. The Academy is not authorized to invest in investments which have this type of risk. The Academy does not currently have an investment policy that addresses the above investment and deposit risks.

NOTE 4 - LEASED EMPLOYEES

The Academy leases all of its workers from its management company. The Romine Group (TRG). TRG is responsible for retirement and post-employment benefit obligations. The amount payable to TRG at June 30, 2007 was approximately \$435,000. The Academy contributes 8% of the annual compensation each pay period to the TRG retirement plan. Retirement expense was approximately \$116,000 in 2007.

TRILLIUM ACADEMY
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - CAPITAL ASSETS

A summary of changes in the Academy's capital assets follows:

| | Balance July 1, 2006 | Additions | Deletions | Balance June 30, 2007 |
|---------------------------------------------|-------------------------|--------------|-----------|--------------------------|
| Capital assets not being depreciated - land | \$ 565,000 | \$ | \$ | \$ 565,000 |
| Capital assets, being depreciated: | | | | |
| Building and improvements | 4,913,734 | | | 4,913,734 |
| Computers | 187,078 | 20,228 | | 207,306 |
| Furniture and equipment | 281,416 | 75,821 | | 357,237 |
| Office equipment | 77,257 | | | 77,257 |
| Depreciable capital assets | 5,459,485 | 96,049 | | 5,555,534 |
| Accumulated depreciation: | | | | |
| Building and improvements | 99,444 | 149,165 | | 248,609 |
| Computers | 67,125 | 40,886 | | 108,011 |
| Furniture and equipment | 41,308 | 28,096 | | 69,404 |
| Office equipment | 17,434 | 8,111 | | 25,545 |
| Total accumulated depreciation | 225,311 | 226,258 | | 451,569 |
| Net capital assets being depreciated | 5,234,174 | (130,209) | | 5,103,965 |
| Net capital assets | \$ 5,799,174 | \$ (130,209) | \$ | \$ 5,668,965 |

Depreciation for the fiscal year ended June 30, 2007 amounted to \$226,258. The Academy determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

At June 30, 2007, the Academy has approximately \$418,000 of assets subject to capital lease agreements. Current year depreciation expense and accumulated depreciation related to these assets at June 30, 2007 was approximately \$56,000 and \$143,000, respectively.

TRILLIUM ACADEMY
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - NOTE PAYABLE

At June 30, 2007, the Academy has \$154,713 outstanding from a state aid anticipation note dated September 2006. The note, which has an interest rate of 5.5%, matures August 30, 2007. The note is secured by future state school aid payments. The Academy incurred interest expense on these notes of \$29,713 in 2007.

| Balance June 30, 2006 | Additions | Payments | Balance June 30, 2007 |
|--------------------------|------------|------------|--------------------------|
| \$ 90,677 | \$ 830,000 | \$ 765,964 | \$ 154,713 |

NOTE 7 - LONG-TERM OBLIGATIONS

The following is a summary of governmental long-term obligations for the Academy for the year ended June 30, 2007.

| | Certificates of participation | Capital leases | Total |
|------------------------|----------------------------------|----------------|--------------|
| Balance, July 1, 2006 | \$ 7,200,000 | \$ 256,110 | \$ 7,456,110 |
| Additions | | 92,016 | 92,016 |
| Repayments | | 89,439 | 89,439 |
| Balance, June 30, 2007 | 7,200,000 | 258,687 | 7,458,687 |
| Less current portion | | 88,005 | 88,005 |
| | \$ 7,200,000 | \$ 170,682 | \$ 7,370,682 |

Long-term obligations at June 30, 2007 consists of the following:

2005 Series full term certificates of participation due in annual installments of \$90,000 to \$1,055,000 through September 1, 2036 with interest of 6.3%.

\$ 7,200,000

TRILLIUM ACADEMY
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - LONG-TERM OBLIGATIONS (Continued)

The annual requirements to amortize the certificates of participation outstanding as of June 30, 2007, including interest of are as follows:

| Year ended June 30, | Principal | Interest | Amounts payable |
|------------------------|---------------------|---------------------|----------------------|
| 2008 | \$ | \$ 453,600 | \$ 453,600 |
| 2009 | 90,000 | 450,765 | 540,765 |
| 2010 | 95,000 | 444,937 | 539,937 |
| 2011 | 100,000 | 438,795 | 538,795 |
| 2012 | 110,000 | 432,240 | 542,240 |
| 2013-2017 | 655,000 | 2,046,083 | 2,701,083 |
| 2018-2022 | 895,000 | 1,803,217 | 2,698,217 |
| 2023-2027 | 1,225,000 | 1,471,838 | 2,696,838 |
| 2028- 2032 | 1,680,000 | 1,018,080 | 2,698,080 |
| 2033-2036 | 2,350,000 | 358,470 | 2,708,470 |
| | <u>\$ 7,200,000</u> | <u>\$ 8,918,025</u> | <u>\$ 16,118,025</u> |

Interest expense including amortization of debt of issuance costs on the certificates of participation was \$470,905. An amount of \$563,974 is available in the debt service funds to service the certificates.

Capital lease obligations at June 30, 2007 consist of the following:

Four capital leases with a private investor for equipment with monthly payments totaling \$9,226 including imputed interest ranging between 9% and 13.4% maturing through June 2011.

\$ 194,613

A capital lease with a private investor for equipment with monthly payments of \$2,652 including imputed interest of 8.64% maturing through August 2009.

64,074

258,687

Less current portion

(88,005)

\$ 170,682

TRILLIUM ACADEMY
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - LONG-TERM OBLIGATIONS (Concluded)

The future minimum lease payments required under the capital leases and the present value of the net minimum lease payments are as follows:

| Year ending June 30, | Amount |
|-------------------------------------|------------|
| 2008 | \$ 109,466 |
| 2009 | 89,568 |
| 2010 | 58,061 |
| 2011 | 44,695 |
| Total minimum lease payments | 301,790 |
| Less: amounts representing interest | (43,103) |
| Capital lease obligations | \$ 258,687 |

Interest expense on capital lease obligations for 2007 was as \$26,221 and is included in support services.

NOTE 8 - MANAGEMENT AGREEMENT

The Academy had entered into a three year (through June 2012) management agreement with The Romine Group (TRG) for operations of the Academy. Under the terms of the management agreement, TRG's compensation for operating the Academy is 10% of the unrestricted state revenue plus an additional 3% surcharge of unrestricted revenue not to exceed \$100,000. The management fee was \$441,430 for 2007. See Note 4 for other transactions with TRG.

NOTE 9 - RISK MANAGEMENT

The Academy is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. To minimize the risk, the Academy carries commercial insurance.

TRILLIUM ACADEMY
NOTES TO FINANCIAL STATEMENTS

NOTE 10 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at June 30, 2007 are as follows:

| <u>Receivable fund</u> | | <u>Payable fund</u> | |
|------------------------|----------|---------------------|----------|
| General | \$ 4,374 | School lunch fund | \$ 4,374 |

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

NOTE 11 - TRANSFERS

Operating transfers between the governmental funds were as follows:

| <u>Operating transfers out</u> | | <u>Operating transfers in</u> | |
|--------------------------------|-------------------|-------------------------------|-------------------|
| General fund | \$ 255,533 | Athletic fund | \$ 47,430 |
| | | School lunch fund | 13,856 |
| | | Debt service | 194,247 |
| | <u>\$ 255,533</u> | | <u>\$ 255,533</u> |

The operating transfers to the debt service fund from the general fund were to transfer state aid revenues which are restricted for debt service. These transfers are made in the year which the debt service fund makes the related principal and interest payments. The transfers from the general fund to the athletics fund and food service fund were made to cover operating expenses.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

As of June 30, 2007, the Academy is in the final stages of issuing approximately \$5,100,000 of long-term debt with full term certificates of participation. The proceeds of the debt will be utilized to purchase an addition, renovations and improvements to the existing school building at a cost of approximately \$3,500,000 under the terms of an agreement to purchase the constructed addition and improvements after completion. The Academy does have commitments to purchase approximately \$335,000 of furniture and equipment to furnish the addition. The Academy anticipates issuing the certificates of participation by the end of October 2007.

REQUIRED SUPPLEMENTARY INFORMATION

TRILLIUM ACADEMY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2007

| | Original budget | Final budget | Actual | Variance with final budget positive (negative) |
|----------------------------------------------------------------------|----------------------------|---------------------|---------------|-------------------------------------------------------------------|
| REVENUES: | | | | |
| Local | \$ | \$ 93,100 | \$ 97,363 | \$ 4,263 |
| State sources | 3,464,044 | 3,560,175 | 3,560,182 | 7 |
| Federal sources | 143,200 | 138,571 | 138,891 | 320 |
| Total revenues | 3,607,244 | 3,791,846 | 3,796,436 | 4,590 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Basic programs | 1,650,758 | 1,734,477 | 1,714,689 | 19,788 |
| Added needs | 356,825 | 349,081 | 352,184 | (3,103) |
| Total instruction | 2,007,583 | 2,083,558 | 2,066,873 | 16,685 |
| Support services: | | | | |
| Pupil | 42,000 | 117,967 | 115,702 | 2,265 |
| Instructional staff | 21,000 | 6,000 | 4,348 | 1,652 |
| General administration | 459,126 | 575,110 | 578,742 | (3,632) |
| School administration | 331,104 | 289,118 | 293,138 | (4,020) |
| Business | 77,630 | 99,731 | 98,564 | 1,167 |
| Operation and maintenance | 288,200 | 350,650 | 337,888 | 12,762 |
| Other | 22,000 | 15,975 | 15,175 | 800 |
| Total support services | 1,241,060 | 1,454,551 | 1,443,557 | 10,994 |
| Debt service: | | | | |
| Principal retirement | 89,860 | 87,700 | 89,439 | (1,739) |
| Total expenditures | 3,338,503 | 3,625,809 | 3,599,869 | 25,940 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 268,741 | 166,037 | 196,567 | 30,530 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Proceeds from capital lease | | 79,355 | 92,016 | 12,661 |
| Operating transfers out | (268,000) | (240,997) | (255,533) | (14,536) |
| Total other financing sources (uses) | (268,000) | (161,642) | (163,517) | (1,875) |
| NET CHANGE IN FUND BALANCE | \$ 741 | \$ 4,395 | 33,050 | \$ 28,655 |
| FUND BALANCE: | | | | |
| Beginning of year | | | 9,993 | |
| End of year | | | \$ 43,043 | |

ADDITIONAL INFORMATION

**TRILLIUM ACADEMY
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2007**

| | <u>School lunch fund</u> | <u>Athletics fund</u> | <u>Totals</u> |
|--------------------------------------|------------------------------|-----------------------|-------------------|
| ASSETS | | | |
| Cash | \$ 15,065 | \$ | \$ 15,065 |
| Receivables: | | | |
| Due from other governmental units | 7,561 | | 7,561 |
| Due from other funds | 4,374 | | 4,374 |
| Other | 1,665 | | 1,665 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total assets | <u>\$ 28,665</u> | <u>\$</u> | <u>\$ 28,665</u> |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts payable | \$ 28,665 | \$ | \$ 28,665 |
| Fund balances: | | | |
| Undesignated | <u> </u> | <u> </u> | <u> </u> |
| | <u>\$ 28,665</u> | <u>\$</u> | <u>\$ 28,665</u> |
| Total liabilities and fund balances | <u> </u> | <u> </u> | <u> </u> |

**TRILLIUM ACADEMY
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2007**

| | <u>School lunch fund</u> | <u>Athletics fund</u> | <u>Totals</u> |
|--------------------------------------------------------------|------------------------------|-----------------------|---------------|
| REVENUES: | | | |
| Food sales | \$ 33,455 | \$ | \$ 33,455 |
| Federal aid | 48,080 | | 48,080 |
| State aid | 1,585 | | 1,585 |
| Athletic events | | 770 | 770 |
| | <hr/> | <hr/> | <hr/> |
| Total revenues | 83,120 | 770 | 83,890 |
| | <hr/> | <hr/> | <hr/> |
| EXPENDITURES: | | | |
| Food costs | 96,976 | | 96,976 |
| Athletic expenses | | 48,200 | 48,200 |
| | <hr/> | <hr/> | <hr/> |
| Total expenditures | 96,976 | 48,200 | 145,176 |
| | <hr/> | <hr/> | <hr/> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (13,856) | (47,430) | (61,286) |
| | <hr/> | <hr/> | <hr/> |
| OTHER FINANCING SOURCES: | | | |
| Operating transfer in from general fund | 13,856 | 47,430 | 61,286 |
| | <hr/> | <hr/> | <hr/> |
| NET CHANGE IN FUND BALANCES | | | |
| | <hr/> | <hr/> | <hr/> |
| FUND BALANCES, beginning of year | | | |
| | <hr/> | <hr/> | <hr/> |
| FUND BALANCES, end of year | \$ | \$ | \$ |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

TRILLIUM ACADEMY
FULL TERM CERTIFICATES OF PARTICIPATION - SERIES 2005
YEAR ENDED JUNE 30, 2007

\$7,200,000 certificates issued September 1, 2005

| Principal due September 1 | Interest due | | Debt service requirement for fiscal year | |
|------------------------------|---------------------|---------------------|---------------------------------------------|----------------------|
| | September 1 | March 1 | June 30 | Amount |
| \$ | \$ | \$ | 2008 | \$ |
| 90,000 | 226,800 | 226,800 | 2009 | 453,600 |
| 95,000 | 226,800 | 223,965 | 2010 | 540,765 |
| 100,000 | 223,965 | 220,972 | 2011 | 539,937 |
| 110,000 | 220,973 | 217,822 | 2012 | 538,795 |
| 115,000 | 217,883 | 214,357 | 2013 | 542,240 |
| 120,000 | 214,358 | 210,735 | 2014 | 540,093 |
| 130,000 | 210,735 | 206,955 | 2015 | 537,690 |
| 140,000 | 206,955 | 202,860 | 2016 | 539,815 |
| 150,000 | 202,860 | 198,450 | 2017 | 541,310 |
| 155,000 | 198,450 | 193,725 | 2018 | 542,175 |
| 170,000 | 193,725 | 188,842 | 2019 | 537,567 |
| 180,000 | 188,843 | 183,487 | 2020 | 542,330 |
| 190,000 | 183,488 | 177,817 | 2021 | 541,305 |
| 200,000 | 177,818 | 171,832 | 2022 | 539,650 |
| 215,000 | 171,833 | 165,532 | 2023 | 537,365 |
| 230,000 | 165,533 | 158,760 | 2024 | 539,293 |
| 245,000 | 158,760 | 151,515 | 2025 | 540,275 |
| 260,000 | 151,515 | 143,797 | 2026 | 540,312 |
| 275,000 | 143,798 | 135,607 | 2027 | 539,405 |
| 295,000 | 135,608 | 126,945 | 2028 | 537,553 |
| 315,000 | 126,945 | 117,652 | 2029 | 539,597 |
| 335,000 | 117,653 | 107,730 | 2030 | 540,383 |
| 355,000 | 107,730 | 97,177 | 2031 | 539,907 |
| 380,000 | 97,178 | 85,995 | 2032 | 538,173 |
| 405,000 | 85,995 | 74,025 | 2033 | 540,020 |
| 430,000 | 74,025 | 61,267 | 2034 | 540,292 |
| 460,000 | 61,268 | 47,722 | 2035 | 538,990 |
| 1,055,000 | 47,723 | 33,232 | 2036 | 540,955 |
| | 33,233 | | | 1,088,233 |
| <u>\$ 7,200,000</u> | <u>\$ 4,572,450</u> | <u>\$ 4,345,575</u> | | <u>\$ 16,118,025</u> |

The above certificates bear interest rates at 6.3%. The certificate proceeds were used for the acquisition of a building and improvements thereto and to payoff certain existing long-term debt.



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Education
Trillium Academy
Taylor, Michigan

October 22, 2007

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Trillium Academy as of and for the year ended June 30, 2007, which collectively comprise Trillium Academy's basic financial statements and have issued our report thereon dated October 22, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Trillium Academy's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Academy's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Academy's financial statements that is more than inconsequential will not be prevented or detected by the Academy's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Academy's internal control.

To the Board of Education
Trillium Academy
Taylor, Michigan

October 22, 2007

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Trillium Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Trillium Academy in a separate letter dated October 22, 2007.

This report is intended solely for the information and use of management, Board of Education, U.S. Department of Education, and Michigan Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

Maner, Costerisan + Ellis, P.C.

Certified Public Accountants



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October 22, 2007

To the Board of Directors
Trillium Academy
Taylor, Michigan

In planning and performing our audit of the financial statements of Trillium Academy as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Trillium Academy's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated October 22, 2007 on the financial statements of Trillium Academy. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows.

New Notification Requirements for Related Not-for-Profit Organizations with Gross Receipts of \$25,000 or less Such as Booster Groups and PTO's

The Pension Protection Act of 2006 requires these organizations to file an annual electronic notice for tax periods beginning after December 31, 2006, if these organizations are not required to file Form 990 (or 990-EZ), Return of Organization Exempt From Income Tax because their gross receipts are normally \$25,000 or less.

If they are a section 509(a)(3) supporting organization, generally, they must file a paper or electronic Form 990 (or Form 990-EZ) even if their gross receipts are normally \$25,000 or less. However, if they are a supporting organization of a religious organization and their gross receipts are normally \$5,000 or less they may file an annual electronic notice instead of Form 990 (or Form 990-EZ).

The annual electronic notice is due by the 15th day of the fifth month after the close of their tax period. For example, if their tax period ends on December 31, 2007, the annual electronic notice is due May 15, 2008.

The notice will require these organizations to provide the following information:

- Organization's legal name,
- Any other names your organization uses,
- Organization's mailing address,
- Organization's website address (if applicable),
- Organization's employer identification number (EIN),
- Name and address of a principal officer of your organization.
- Organization's annual tax period,

- Verify that your organization's annual gross receipts are still normally \$25,000 or less, and
- Indicate if your organization has terminated (is no longer in business).

New Auditing Standards

Recently, 10 new auditing standards have been released and are effective, or will become effective for your June 30, 2008 year end. In reviewing the new standards, they will have an impact on our overall audit approach. The trend is to perform audit procedures utilizing more of a risk based approach. One area which will continue to be emphasized is your internal controls.

New Interpretation Of Deferred Compensation Rules Applicable To Teachers And Similar Employees

In August of 2007, the IRS issued new questions and answers related to deferred compensation which can effect teachers and similar employees.

When employees can elect to defer part of their compensation to a future year, they are generally subject to the rules applicable to deferred compensation under the Internal Revenue Code. These payments could be subject to an additional 20% tax if the specified procedures are not followed. For example, school employees who work 10 months but are paid over 12 months would be deferring compensation into a future year.

These rules are not applicable unless an election must be made. If a school district provides that all employees must spread their pay over 12 months, these rules do not apply.

To the Board of Directors
Trillium Academy
Taylor, Michigan

4

October 22, 2007

In order to avoid imposition of extra taxes, the employees must give a written or electronic election to notify the employer that they want to spread out the compensation. This election must be provided before the start of the school year and must be irrevocable. The election must state how the compensation is going to be paid (for example, ratably over the 12 months starting with the beginning of the school year). This election does not need to be made for future years if the arrangement provides that the election will remain in place until the employee elects a change. These rules are effective January 1, 2008. Therefore, they are not applicable until the election for the 2008 - 2009 school year.

This report is intended solely for the information and use of Trillium Academy, management and others within the Academy and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Maner, Costerisan + Ellis, P.C.



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October 22, 2007

To the Board of Directors
Trillium Academy
Taylor, Michigan

We have audited the financial statements of Trillium Academy for the year ended June 30, 2007, and have issued our report thereon dated October 22, 2007. Professional standards require that we provide you with the following information related to our audit.

1. Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 9, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of Trillium Academy. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether Trillium Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of law, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit.

2. Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Trillium Academy are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007. We noted no transactions entered into by Trillium Academy during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

3. Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements, and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant estimates to report.

4. Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Academy's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Academy, either individually or in the aggregate, indicate matters that could have a significant effect on the Academy's financial reporting process. Management has approved all adjustments.

5. Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

6. Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

7. Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Academy's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

To the Board of Directors
Trillium Academy
Taylor, Michigan

3

October 22, 2007

8. Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Board of Directors, and management of Trillium Academy and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Maner, Costerisan + Ellis, P.C.